

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 NSC-10 RSC-01

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E.O. 11652: N/A

TAGS: ENRG, PFOR, JA, UR, US

SUBJECT: SIBERIAN DEVELOPMENT: TYUMEN OIL

FOLLOWING IS TEXT OF LETTER SENT BY HIROKI IMAZATO, PRESIDENT OF OVERSEAS PETROLEUM CORP (COORDINATING FIRM FOR TYUMEN OIL PIPELINE PROJECT) TO DR. ARMAND HAMMER. LETTER, REFERRED TO IN SPETEL ON HAMMER'S VISIT, IS IN RESPONSE TO PROPOSAL HAMMER MADE TO CHANGE STRUCTURE OF TYUMEN OIL PROJECT TO ALLOW 50 PERCENT PARTICIPATION BY OCCIDENTAL.

BEGIN TEXT.

DR. HAMMER

DHAIRMAN, OCCIDENTAL PETROLEUM CO.

DEAR SIR:

BECAUSE OF SHORTAGE OF TIME YESTERDAY, I COULD NOT EXPLAIN TO YOU FULLY ABOUT THE PRESENT PROGRESS OF THE TYUMEN PROJECT. TO AVOID EVEN THE SLIGHTEST MISUNDERSTANDING, I AM WRITING TO CLARIFY MY VIEWPOINTS ON THIS IMPORTANT PROJECT.

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YOU TOLD ME THAT YOU WERE VISITING MOSCOW QUITE SOON AND WOULD DISCUSS THIS PROJECT WITH SOVIET RUSSIAN AUTHORITIES CONCERNED.

HEREBY I AM BRIEFING YOU ON THE MAIN POINTS WHICH ARE CONSIDERED TO BE ESSENTIAL IN UNDERSTANDING MY VIEWPOINTS AS THE CHAIRMAN OF PETROLEUM COMMITTEE OF THE JAPANESE-RUSSO ECONOMIC COMMITTEE.

1. PRESENT TYUMEN PROJECT WAS PROPOSED FORMALLY BY MR. ORGEV, THE THEN VICE-MINISTER OF PETROLEUM INDUSTRY MINISTRY, PRESENT GAS INDUSTRY MINISTER, AT THE 5TH JOINT ECONOMIC CONGRESS HELD AT TOKYO IN FEBRUARY 1972.

2. ACCORDING TO THE SAID PROPOSAL THEY PROPOSE TO EXPORT TYUMEN OIL TO JAPAN, AFTER CONSTRUCTING A PIPELINE SYSTEM FROM IRKUTSK TO NAKHODKA, WITH MATERIALS, MACHINERY AND EQUIPMENTS PURCHASED IN JAPAN, WITH JAPANESE BANK LOAN AMOUNTING MORE THAN ONE BILLION DOLLAR.

3. THE JAPANESE PETROLEUM COMMITTEE SENT ITS TECHNICAL TEAM TO TYUMEN OIL FIELD LAST JUNE, AND UPON ITS RETURN TO JAPAN, IT SUBMITTED A TECHNICAL REPORT ON TYUMEN OIL FIELD TO THE GOVERNMENT AND SUCCEEDED IN GETTING THE GOVERNMENT'S SANCTION TO PROMOTE THE PROJECT.

4. SINCE THEN, ON SEVERAL OCCASIONS, I AND OTHER MEMBERS OF THE COMMITTEE HAD CHANCES TO DISCUSS THIS PROJECT WITH USSR AUTHORITIES, AND WE ARE, AT PRESENT, WAITING FOR THE TIME OF OPENING THE FORMAL NEGOTIATION WITH THEM. (WE HAVE BEEN NOTIFIED BY THE USSR COMMERCIAL REPRESENTATIVE STATIONED IN TOKYO, OF THE MESSAGE OF FOREIGN TRADE MINISTER'S TO THE EFFECT THAT THE NEGOTIATIONS WOULD BE HELD DURING THE MONTH OF JULY. HOWEVER, NOTHING HAS TAKEN PLACE UP TO NOW.) WE HAVE NEARLY COMPLETED THE NECESSARY PREPARATION ON THE JAPANESE SIDE.

5. HIS EXCELLENCY MR. ORGEV AND OTHER SOVIET GOVERNMENT OFFICIALS CONCERNED OFTEN AND OFTEN REPEATEDLY SAID THAT THIS DEAL WAS PURELY OF THE NATURE OF "DIRECT NEGOTIATIONS" BETWEEN TWO NATIONS. AS I EXPLAINED TO YOU YESTERDAY THIS OIL CASE HAS BEEN QUITE A DIFFERENT ONE FROM THE GAS CASE WHICH, FROM THE BEGINNING, HAS BEEN LIMITED OFFICIAL USE

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TRIANGLE-RELATIONS-NEGOTIATIONS.

BUT FRANKLY SPEAKING, THE FOLLOWING IS TRUE REALITY WHICH MUST NOT BE OVERLOOKED. THE FACT IS THAT THOUGH WE HAVEN'T RECEIVED THE LIST OF GOODS THEY WANT TO BUY IN JAPAN, THE GREATER PORTIONS OF THEM WILL BE, OF COURSE, OF JAPANESE MAKE, AND SHALL BE PURCHASED WITH YEN (JAPANESE EXIM-BANK IS PREPARING TO GRANT TO USSR NECESSARY LOAN IN YEN).

THERE WILL REMAIN MORE OR LESS THAN 10 PERCENT OF THE GOODS WHICH WILL BE PURCHASED IN U.S.A. IN THIS CONNECTION, WE HAVE BEEN IN CONTACT WITH SOME U.S. FIRMS AND BANKS TO FIND A WAY OF GETTING U.S. BANK LOANS IN DOLLAR EQUIVALENT TO THE TOTAL SUM OF MONEY NEEDED FOR PURCHASING U.S. GOODS.

6. GULF OIL CORP., WHICH YOU MENTIONED YESTERDAY, HAS APPROACHED US WITH THE DEFINITE INTENTION OF ACTING AS LEADER IN THE U.S. FOR PROMOTING THIS PROJECT.

WE HAVE EXPRESSED OUR THANKS TO THEM AND HAVE BEEN COOPERATING FOR THE COMMON CAUSE, AND HAVE EXPRESSED OUR OPINION AND DESIRE TO CONTINUE WORKING WITH GULF.

7. IN ADDITION, BECHTEL APPROACHED US SOME TIME AGO WITH A SIMILAR PROPOSAL AND IT APPEARS LIKELY THEY MIGHT RECEIVE THE CONTRACT FOR DESIGNING AND BUILDING THE TERMINAL AT NAKHODKA.

8. YOU SUGGESTED A 50-50 DEAL YESTERDAY. HOWEVER, AS I POINTED OUT TO YOU, ALMOST ALL OF THE PREPARATIONS HAVE BEEN COMPLETED BY THE JAPANESE SIDE WITH THE GUIDANCE AND ASSISTANCE OF THE JAPANESE GOVERNMENT. WE, THE JAPANESE SIDE, TAKE IT THAT THE U.S. FINANCING IN THE FORM OF BANK LOANS FOR PURCHASING U.S. GOODS, IN ITSELF, CONSTITUTES THE U.S. PARTICIPATION IN THIS PROJECT.

9. YOU INFORMED ME THAT YOU WILL BE GOING TO MOSCOW AND WILL TALK TO YOUR FRIENDS THERE ABOUT CHANGING THE POLICY CONCERNING TYUMEN FROM BILATERAL TO TRILATERAL NEGOTIATIONS. THIS ALONE WOULD BE WELCOME TO US IF IT HELPS WITH U.S.A. FINANCING. HOWEVER, THE JAPAN-U.S.A. RATIO OF PARTICIPATION MUST REMAIN THE SAME AS THE JAPAN-U.S.A. RATIO OF THEIR RESPECTIVE MONETARY CONTRIBUTION TO LIMITED OFFICIAL USE

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THE PROJECT.

THE FOREGOING EXPLANATION OF MY POINT OF VIEW IS RATHER LENGTHY. I DO HOPE THAT IF YOU DISCUSS THE TYUMEN PROJECT WITH YOUR FRIENDS, YOU STAY WITHIN THESE VARIOUS POINTS. IT IS MY RESPONSIBILITY TO PROPOSE TO THE USSR ANYTHING DIFFERENT FROM OUR LONG CHERISHED IDEA OF IMPLEMENTING THIS PROJECT AND I DESIRE THAT YOUR CONVERSATION WITH YOUR SOVIET FRIENDS WILL BE DONE IN THE SENSE OF PRELIMINARY SOUNDING OF THEIR INTENTIONS.

/S/

H. IMAZATO
PRESIDENT
OVERSEAS PETROLEUM CORPORATION

P.S. I SHALL LOOK FORWARD TO SEEING YOU AT THE GEORGE V
HOTEL IN PARIS OM AUGUST 4 AND WILL EXPECT TO HEAR MORE ABOUT YOUR
MOSCOW VISIT.

END TEXT
SHOESMITH

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